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CHARMAINE PHILIPS PLATENBURG
Certified Public Accountant

Audited Financial Statements

of

New Orleans Educational Talent Search Program, Inc.

As of and For the Year Ended

June 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/26/01

New Orleans Educational Talent Search Program, Inc.

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CHARMAINE PHILIPS PLATENBURG
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.

I was engaged to audit the accompanying statement of financial position of New Orleans Educational Talent Search Program, Inc., a nonprofit organization, as of June 30, 2001 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the New Orleans Educational Talent Search Program, Inc.'s management.

The Organization failed to reconcile significant differences between support documentation and the general ledger that was used to prepare the financial statements. The unreconciled accounts included the following: Accounts Payable; Other Receivables; Payroll Tax Liabilities; and Net Assets. Accordingly, it was not practicable for me to extend my audit.

Since the Organization failed to reconcile the support documentation to the general ledger and I was unable to apply other auditing procedures to satisfy myself as to whether the financial statements are free of material misstatement, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on these financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, I have also issued reports dated September 4, 2001 on my consideration of Organization's internal control structure over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

As discussed in Note I to the financial statements, the Organization has expended certain grant funds in a manner that may have violated certain restrictive provisions of the related grants. The possible outcome of these matters, which have been reported to the appropriate grantor officials, is uncertain at the date of my report. Accordingly, no provision for any liability has been made in the financial statements for possible grantor claims for refunds of those grant monies.

Charmaine Philips Platenburg, CPA

Charmaine Philips Platenburg, CPA

New Orleans, Louisiana
September 4, 2001

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
Statement of Financial Position
As of June 30, 2001

Assets			
Cash and Cash Equivalents		\$	32,974
Receivables			
Other Receivables	175,439		175,439
Fixed Assets			
Buildings and Land	100,000		
Equipment	28,052		
Less: Accumulated Depreciation	(29,134)		98,918
Total Assets		\$	307,331
Liabilities & Net Assets			
Accounts Payable		\$	23,384
Payroll Taxes Payable			143,820
Wages Payable			13,410
Notes Payable			189,010
Total Liabilities			369,624
Net Assets:			
Unrestricted			(62,293)
Total Net Assets			(62,293)
Total Liabilities & Net Assets		\$	307,331

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
Statement of Activities
For the Year Ended June 30, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grant Appropriations	\$ -	\$ 500,900	\$ 500,900
Other Income	301		301
Net Assets released from restrictions	<u>500,900</u>	<u>(500,900)</u>	<u>-</u>
 Total Revenues	 501,201	 -	 501,201
 Expenses:			
Payroll Expenses	245,782	-	245,782
Program Supplies & Expenses	85,216	-	85,216
Employee Benefits	40,572	-	40,572
Travel, Meals & Entertainment	21,169	-	21,169
Telephone	21,623	-	21,623
Interest Expense	19,609	-	19,609
Contract Labor	14,798	-	14,798
Insurance	11,591	-	11,591
Professional Fees - Accounting & Legal	10,030	-	10,030
Office Supplies	6,934	-	6,934
Utilities Expenses	6,314	-	6,314
Depreciation Expense	5,196	-	5,196
Equipment Rental	4,403	-	4,403
Repairs & Maintenance	4,334	-	4,334
Professional Fees - Consulting	1,750	-	1,750
Rent	1,200	-	1,200
Postage & Delivery	1,175	-	1,175
Dues & Subscriptions	539	-	539
Contributions	80	-	80
Other Costs	1,695	-	1,695
 Total Expense	 <u>504,010</u>	 <u>-</u>	 <u>504,010</u>
 Decrease in Net Assets	 (2,809)	 -	 (2,809)
 Net Assets, Beginning Balance	 <u>(59,484)</u>	 <u>-</u>	 <u>(59,484)</u>
 Net Assets, Ending Balance	 <u><u>\$ (62,293)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ (62,293)</u></u>

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

**Statement of Cash Flows
For the Year Ended June 30, 2001**

Cash Flows from Operating Activities:

Decrease in Net Assets	\$ (2,809)
Adjustments to reconcile increase net assets to net cash provided by operating activities:	
Depreciation Expense	5,196
Increase in Receivables	(51,755)
Increase in Payables	<u>59,085</u>
Net Cash Provided by Operations	9,717

Cash Flows from Financing Activities:

Cash receipts from short term debt, net of repayments	25,000
Payments on long term debt, net of interest	<u>(23,937)</u>
Net Cash Provided by Financing Activities	<u>1,063</u>
Net Decrease In Cash and Cash Equivalents	10,780
Cash and Cash Equivalents at Beginning of Year	<u>22,194</u>
Cash and Cash Equivalents at End of Year	<u>\$ 32,974</u>

Note <1> Interest paid on financing activities in 2001 totaled \$19,609 from long-term notes payable to local financial institutions.

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Educational Talent Search Program, Inc.
June 30, 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Nature of Activities

New Orleans Educational Talent Search Program, Inc. is a nonprofit corporation organized in 1970 under the laws of the State of Louisiana. The corporation is organized to provide post-secondary educational opportunities to high school graduates, drop-outs and college students. The organization seeks to achieve its primary goal by offering financial aid assistance, academic assistance, ACT preparatory sessions, and outreach counseling sessions. In general, the organization provides the youths of the Greater Metropolitan New Orleans area with the opportunity to progress into successful citizens via educational means.

The corporation is supported primarily through grants. Accordingly, 100% of the corporation's support for the year ended June 30, 2001 came from grants.

Financial Statement Presentation

The financial statements are presented in accordance with requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organization". This statement requires reporting, the Organization's financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There are no temporarily or permanently restricted net assets.

Revenue Recognition

Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as "net assets released from restrictions".

Other Receivables

The Organization receives funds from the federal government via wire transfers. The funds are deposited directly into a checking account. The funds are recorded as other receivables until transferred into another checking account designated for the Department of Education grant.

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Educational Talent Search Program, Inc.
June 30, 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

Building and Improvements

It is the Organization's policy to capitalize building and building improvements over \$5,000. Lesser amounts are expensed. New Orleans Educational Talent Search Program, Inc. records property acquisitions at cost. Donated assets are recorded at their estimated fair value at date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. The Organization reports expirations of donor restrictions when the donated assets are placed in service as instructed by the donor. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized when the acquisition cost exceeds \$5,000. When items of property are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gain or loss is included in the changes in net assets.

Investments

The Organization classifies its marketable securities as "available for sale." Securities classified as "available for sale" are carried in the financial statements at fair market value. Realized gains and losses, determined using the first-in, first-out (FIFO) method, are included in the earnings; unrealized holding gains and losses are reported as a separate component of net assets.

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Educational Talent Search Program, Inc.
June 30, 2001

NOTE B – FIXED ASSETS

Fixed assets at June 30, 2001 consists of the following:

Buildings and Land	\$ 85,000
Land	15,000
Equipment	28,052
Less accumulated depreciation	<u><29,134></u>
	<u>\$ 98,918</u>

Depreciation expense for the year ended June 30, 2001 totaled \$5,196.

NOTE C – NOTES PAYABLE

Notes payable at June 30, 2001, consisted of the following:

Note payable to a local bank, payable in monthly installments of \$891 including interest at 8.6%, final payment due August 2013, collateralized by real estate with a net book value of \$94,900	\$ 83,997
Note payable to a local bank, payable in monthly installments of \$2,153 including interest at 10%, final payment due August 2003, collateralized by real estate with a net book value of \$94,900	63,130
Note payable to a local bank, payable in one principal payment \$25,000 plus accrued interest at 8.75%, final payment due September 2001	25,000
Note payable to a local bank, payable in monthly installments of \$1,178 including interest at 8.5%, final payment due December 2002, collateralized by equipment with a net book value of \$9,214	8,516
Note payable to a local bank, payable in monthly installments of \$1,406 including interest at 13%, final payment due January 2001, collateralized by equipment with \$0 net book value	<u>8,367</u>
Total Notes Payable	<u>\$182,010</u>

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Educational Talent Search Program, Inc.
June 30, 2001

NOTE C – NOTES PAYABLE (CONTINUED)

Maturities of notes payable are as follows:

Year Ending June 30,	Amount
2002	\$ 84,188
2003	33,966
2004	10,673
2005	6,566
2006	6,566
Thereafter	<u>47,051</u>
	<u>\$ 189,010</u>

NOTE D – INVESTMENTS

Cost and fair market value of investments at June 30, 2001 is as follows:

	Amortized Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Available for Sale:				
Investments	<u>\$ 5,260</u>	<u>\$</u>	<u>\$ 301</u>	<u>\$ 5,561</u>
Totals	<u>\$ 5,260</u>	<u>\$</u>	<u>\$ 301</u>	<u>\$ 5,561</u>

The net unrealized gain on securities available for sale totaled \$301 for the year ended June 30 2001. The unrealized gain was recorded as "Other Income" for the year ended June 30, 2001.

NOTE E - INCOME TAXES

The New Orleans Educational Talent Search Program, Inc. is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE F – BOARD OF DIRECTORS COMPENSATION

The board of directors is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2001.

NOTES TO THE FINANCIAL STATEMENTS
New Orleans Educational Talent Search Program, Inc.
June 30, 2001

NOTE G – SIGNIFICANT CONCENTRATION

The Organization receives a majority of its revenue from funds provided through grants administered by U. S. Department of Education and the Louisiana Stadium & Exposition District (LSED). The grant amounts are appropriated each year by the federal and local governments. If significant budget cuts are made at the federal and/or local level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

NOTE H –NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Dept. of Education	\$ 387,600
LSED – 173	45,000
LSED - 267	43,000
LSED - 199	<u>25,300</u>
 Total restrictions released	 <u>\$ 500,900</u>

NOTE I - COMMITMENTS & CONTENGINCIES

Exceeded Budgeted Line Items

The Organization has exceeded the maximum budgeted amount for certain expense items. This situation may have caused the Organization to violate certain restrictive provisions of their agreements with the U. S. Department of Education and the Louisiana Stadium Exposition District. The possible outcome of these matters, which has been reported to the appropriate grant officials, is uncertain at this time. Accordingly, no provision for any liability has been made in these financial statements for possible grantor claims for refunds.

Default on Loan

The Organization has defaulted on one of its loans with a local institution. The financial institute has filed a judgement against the Organization. As of the date of this report, the outcome of the judgement is not certain. As of June 30, 2001, the balance due was \$8,367.

SUPPLEMENTAL INFORMATION

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2001

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>EXPEDITURES</u>
U.S. DEPARTMENT OF EDUCATION			
TRIO - Talent Search			
DOE	84.044	1030441	<u>\$ 390,247</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 390,247</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Federal Awards was prepared on the accrual basis of accounting.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

Combined Statement of Expenditures

For the Year Ended June 30, 2001

PROGRAM
SERVICES

	Dept. of Education	LSED - 173	LSED - 267	LSED - 199	LSED - AH	LSED - EM	TOTAL
	\$	\$	\$	\$	\$	\$	\$
Payroll Expenses	148,712	-	-	-	-	-	245,782
Program Supplies & Expenses	85,216	-	-	-	-	-	85,216
Employee Benefits	40,572	-	-	-	-	-	40,572
Travel, Meals & Entertainment	19,319	1,550	-	300	-	-	21,169
Telephone	17,219	-	1,240	1,500	832	832	21,623
Interest Expense	19,609	-	-	-	-	-	19,609
Contract Labor	13,648	950	-	200	-	-	14,798
Insurance	11,591	-	-	-	-	-	11,591
Professional Fees - Accounting & Legal	6,630	900	2,000	500	-	-	10,030
Office Supplies	5,938	676	-	320	-	-	6,934
Utilities Expenses	3,580	971	1,226	537	-	-	6,314
Depreciation Expense	5,196	-	-	-	-	-	5,196
Equipment Rental	4,403	-	-	-	-	-	4,403
Repairs & Maintenance	3,991	343	-	-	-	-	4,334
Professional Fees - Consulting	1,500	-	-	250	-	-	1,750
Rent	-	1,200	-	-	-	-	1,200
Postage & Delivery	1,175	-	-	-	-	-	1,175
Dues & Subscriptions	539	-	-	-	-	-	539
Contributions	-	80	-	-	-	-	80
Other Costs	1,409	286	-	-	-	-	1,695
Total Operating Expenses	390,247	47,622	33,915	26,591	4,464	1,171	504,010

CHARMAINE PHILIPS PLATENBURG
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors of
New Orleans Educational Talent Search Program, Inc.

I was engaged to audit the financial statements of New Orleans Educational Talent Search Program, Inc. (a non-profit corporation) as of and for the year ended June 30, 2001, and have issued my report thereon dated September 4, 2001. I was required to conduct my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Orleans Educational Talent Search Program, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Governmental Auditing Standards and which are described in the accompanying schedule of Findings and Questioned Costs as items 00-4, 00-5, 00-6, 00-7, and 00-08.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Orleans Educational Talent Search Program, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect New Orleans Educational Talent Search Program Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1, 00-2 and 00-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts

that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by the employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I considered the reportable conditions described above as items 00-1, 00-2, 00-3, 00-5, 00-6, 00-7, and 00-8 to be material weaknesses.

This report is intended solely for the information of management, board of directors, Louisiana Stadium Exposition District and the U. S. Department of Education. However, this report is a matter of public record and its distribution is not limited.

Charmaine Philips-Platenburg, CPA

Charmaine Philips Platenburg, CPA

New Orleans, LA
September 4, 2001

CHARMAINE PHILIPS-PLATENBURG

Certified Public Accountant

1340 Poydras Street • Suite 2130
New Orleans, LA 70112

CHARMAINE PHILIPS PLATENBURG
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
STRUCTURE OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
New Orleans Educational Talent Search Program, Inc.

Compliance

I have audited the compliance of New Orleans Educational Talent Search Program, Inc. with the types of compliance requirements described in the "U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the fiscal year ended June 30, 2001. New Orleans Educational Talent Search Program, Inc. major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements, laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of New Orleans Educational Talent Search Program, Inc.'s management. My responsibility is to express an opinion on the Organization's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Orleans Educational Talent Search Program, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of New Orleans Educational Talent Search Program, Inc.'s compliance with those requirements.

As described in items 00-1, 00-2, 00-3, 00-4, 00-5, 00-6, 00-7, and 00-8 in the accompanying schedule of findings and questioned costs, New Orleans Educational Talent Search Program, Inc. did not comply with the requirements regarding Allowable Cost/Cost Principles, Cash Management, and Reporting requirements that are applicable to its major federal program titled "Department of Education". Compliance with such requirements is necessary, in my opinion, for the Organization to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, New Orleans Educational Talent Search Program, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2001.

Internal Control Over Compliance

The management of New Orleans Educational Talent Search Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with laws, regulations, contracts, and grants applicable to federal award programs. In planning and performing my audit, I considered New Orleans Educational Talent Search Program, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect New Orleans Educational Talent Search Program, Inc.'s ability to administer a federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1, 00-2, 00-3, 00-4, 00-5, 00-6, 00-7, and 00-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I considered items 00-1, 00-2, 00-3, 00-4, 00-5, 00-6, 00-7, and 00-8 to be material weaknesses.

I also noted other matters involving the internal control structure and its operation that I have reported to management of the Organization in a separate letter dated September 4, 2001.

This report is intended for the information of, management, board of directors, Louisiana Stadium Exposition District and the U. S. Department of Education. However, this report is a matter of public record, and its distribution is not limited.



Charmaine Philips Platenburg, CPA

New Orleans, LA
September 4, 2001

CHARMAINE PHILIPS-PLATENBURG

Certified Public Accountant

1340 Poydras Street • Suite 2130
New Orleans, LA 70112

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2001

A. SUMMARY OF AUDIT RESULTS.

1. A disclaimed opinion was issued on the financial statements of the auditee.
2. Reportable conditions in internal control were disclosed by the audit of the financial statements and the reportable conditions were deemed to be material weaknesses.
3. The audit disclosed instances of noncompliance. The instances were deemed to be material to the financial statements of the audits.
4. Reportable conditions in internal control over major programs were disclosed by the audit and the conditions were deemed to be material weaknesses.
5. A qualified opinion was issued on compliance for major programs.
6. The audit findings that were required to be reported under Section 510(a) of Circular A-133 were reported in Part B and Part C of this schedule.
7. The major programs for the fiscal year ended June 30, 2001 consists of the following program:

Department of Education	CFDA No. 84.044
-------------------------	-----------------
8. The dollar threshold to distinguished between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low-risk auditee.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

00-1 Retention of Records

Statement of Condition:

The Organization failed to maintain copies of invoices for some of the expenditures charged to Department of Education and Louisiana Stadium Exposition District Programs (LSED) for the year ended June 30, 2001.

Criteria:

In accordance with the Office of Management and Budget (OMB) Circular A-110 and the agreement between the LSED and New Orleans Educational Talent Search Program, Inc., the Organization is required to maintain all financial records, supporting documents and all pertinent records.

Effect of Condition:

The Organization failed to comply with the retention and custodial of records requirement as set forth in OMB Circular A-110 and the grant agreement with the Louisiana Stadium Exposition District.

Questioned Costs:

DOE	\$ 89,122
LSED 173	<u>1,200</u>
	<u>\$ 90,322</u>

Cause of Condition:

The Organization failed to present all of the requested invoices.

Recommendation:

The Organization should implement procedures to insure that all necessary source documents are properly maintained.

Response:

See corrective action plan.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-2 Omitted Transactions

Statement of Condition:

The Organization did not record all financial transactions in the Organization's financial statements.

Criteria:

In accordance with OMB Circular A-133, Section 310(a) Financial Statements "The auditee (Organization) shall prepare financial statements that reflect its financial position, results of operation or changes in net assets, and where appropriate, cash flows for the fiscal year audited. The financial statements shall contain accurate, current and complete disclosure of financial data

Effect of Condition:

The Organization did not maintain adequate financial statements for the year ended June 30, 2001.

Questioned Costs:

None

Cause of Condition:

Management failed to record transactions of a checking account and certificate of deposit in the financial statements for year ended June 30, 2001.

Recommendations:

Management should implement procedures to assure that all financial transactions are properly recorded in the organization's financial statements.

Management Response:

See plan of corrective action.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-3 Accounting System

Statement of Condition:

The Organization failed to reconcile the support documentation balances to the general ledger balances as of June 30, 2001. The following are some examples:

	Per General Ledger	Per Support	Difference
Cash & Cash Equivalents	\$ 5,167	\$ 32,974	\$ 27,807
Notes Payable	69,482	189,010	199,528
Payroll Tax Liabilities	59,898	143,820	83,922
Grant Revenue	304,658	387,600	82,942

Criteria:

General ledgers should be prepared in a manner that accurately identifies and creates an audit trail for all transactions that have been properly classified, summarized and recorded in the financial statements of an organization. If the general ledger consist of summarized journal entries, support schedules should be prepared that would provide detailed information regarding the classifying, summarizing and recording of such transactions.

Effect of Condition:

Financial statements appeared to contain material misstatements.

Questioned Costs:

None.

Cause of Condition:

The Organization failed to reconcile the differences between the support data and general ledger balance.

Recommendations:

Implement procedures to ensure that differences between support documentation and general ledger balances are reconciled and the differences are adequately explained.

Management Response:

See plan of corrective action.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

C. COMPLIANCE REQUIREMENTS

00-4 Classification of Workers

Statement of Condition:

Employees were classified as independent contractors.

Criteria:

The Internal Revenue Code Publication 15 states that workers must be classified as employees unless they satisfy the requirements to be independent contractors.

Effect of Condition:

The Organization failed to properly classify workers as employees. Therefore, the applicable payroll taxes were not withheld, reported and paid to the regulatory agencies.

Questioned Costs:

None

Cause of Condition:

Workers' status was improperly classified as an independent contractor.

Recommendation:

Workers should be classified as employees and the applicable taxes should be withheld and reported to the proper authorities.

Response:

See corrective action plan.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-5 Exceeded Budgeted Line Items

Statement of Condition:

The Program failed to obtain approved budget revisions from the U. S. Department of Education and Louisiana Stadium Exposition District before incurring cost in excess of the budgeted amounts for certain expense items.

Criteria:

In accordance with the provisions of OMB Circular A-110 "Grants and Agreements With Institutes of Higher Education, Hospitals and Other Nonprofit Organizations" and Louisiana Stadium Exposition Stadium, recipients may not exceed a budget classification of expenditures prior to receiving, in writing, an approved budget revision from the grantor.

Effect of Condition:

The Organization exceeded the maximum budgeted amount for certain expenditures. See page 26 for a detail description of the exceptions noted during my audit.

Questioned Costs:

Department of Education	\$ 146,852
LSED - 173	10,525
LSED - 199	5,595
LSED - EM	678
LSED - AH	<u>3,720</u>
Total Excess	<u>\$ 167,370</u>

Cause of Condition:

Management failed to obtain written approval of revised budget from grantors.

Recommendations:

Implement procedures to properly monitor the spending habits of the Organization and to identify the need to request budget revisions.

Management Response:

See corrective action plan.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-6 Delinquent Payroll Taxes

Statement of Condition:

The Organization failed to submit payroll tax payments in a time manner to the regulatory agencies.

Criteria:

Federal and state laws require employers to submit the proper amount of payroll tax payments in a timely fashion.

Effect of Condition:

Payroll taxes were delinquent. The Organization will be assessed penalties and interest on the amount of delinquent payroll taxes.

Questioned Costs:

None.

Cause of Condition:

Management failed to submit payroll taxes in a timely manner to regulatory agencies.

Recommendations:

Implement procedures to ensure the timely submission of payroll tax payments.

Management Response:

See plan of corrective action.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-7 Lack of Adequate Pension Plan

Statement of Condition:

The Organization claimed costs for retirement (pension) benefits. However, the Organization does not have a retirement (pension) plan for its employees.

Criteria:

OMB Circular A-122 "Cost Principles for Nonprofit Organization" requires payments of pension benefits to be paid to a qualified plan provided that plan or policy meets the reasonable test, the cost allocation is not discriminatory and the cost is made in accordance with generally accepted accounting principles.

Effect of Condition:

The Organization paid retirement benefits directly to employees.

Questioned Costs:

\$ 26,319

Cause of Condition:

Management failed to obtain an allowable pension plan for employees' retirement benefits.

Recommendations:

Management should maintain a pension plan in accordance with the guidelines of OMB Circular A-122. Amounts paid to employees should be classified as wages.

Management Response:

See plan of corrective action.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED

For the year ended June 30, 2001

00-8 Time Allocation of Payroll Expenses

Statement of Condition:

The Program reported payroll expenses for the various programs in the financial statements. However, the timesheets did not reflect the amount of time spent on the various programs nor did the client establish a formal cost allocation plan regarding payroll expenses.

Criteria:

In accordance with the provisions of OMB Circular A-122 "Cost Principles for Nonprofit Organizations" requires recipients to specifically identify costs associated with specific awards. The Organization may establish any cost allocation plan as long as the plan is reasonable and applied in a consistent manner.

Effect of Condition:

The payroll expenses claimed were not supported by timesheets that properly identified the time spent on the various programs.

Questioned Costs:

None

Cause of Condition:

Management did not establish an allocation method for payroll purposes.

Recommendations:

Implement procedures to properly record and identify time spent on the various programs.

Management Response:

See corrective action plan.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

STATUS OF PRIOR YEAR FINDINGS

For the year ended June 30, 2001

	<u>Reportable Conditions</u>	<u>Resolved</u>	<u>Unresolved</u>	<u>Current Findings</u>
00-01	Retention of Records		X	00-01
00-02	Omitted Transactions		X	00-02
00-03	Accounting System		X	00-03
00-04	Classification of Workers		X	00-04
00-05	Excessive Reimbursements	X		
00-06	Audit Requirement	X		
00-07	Reporting Requirements	X		
00-08	Exceeded Budgeted Line Items		X	00-05
00-09	Delinquent Payroll Taxes		X	00-06
00-10	Lack of Adequate Pension Plan		X	00-07
00-11	Allocation of Payroll Expenses		X	00-08

New Orleans Educational Talent Search Program, Inc.
Budget vs. Actual
For the Year Ended June 30, 2001

Description	Budget	Actual	(Over)	Overage Percentage
<u>LSED - AH</u>				
Telephone	154.00	832.00	(678.00)	-440%
Salaries- Senior Counselor	-	3,042.00	(3,042.00)	-10%
Subtotal Overages	154.00	3,874.00	(3,720.00)	-2416%
<u>LSED - EM</u>				
Telephone	154.00	832.00	(678.00)	-440%
Subtotal Overages	154.00	832.00	(678.00)	-440%
<u>LSED - 173</u>				
Bank Service Charges	-	286.00	(286.00)	-100%
Contributions	-	80.00	(80.00)	-100%
Professional Fees - Other	-	400.00	(400.00)	-100%
Repairs & Maintenance	-	343.00	(343.00)	-100%
Contract Labor	-	700.00	(700.00)	-100%
Other Supplies	-	676.00	(676.00)	-100%
Salaries- Senior Counselor	10,500.00	16,729.00	(6,229.00)	-59%
Salaries - Counselors I	3,500.00	4,311.00	(811.00)	-23%
Salaries - Support Tech	2,500.00	3,500.00	(1,000.00)	-40%
Subtotal Overages	16,500.00	27,025.00	(10,525.00)	-64%
<u>LSED - 199</u>				
Telephone	1,200.00	1,500.00	(300.00)	-25%
Travel & Entertainment	-	300.00	(300.00)	0%
Contract Labor	-	200.00	(200.00)	-100%
Other Supplies	-	320.00	(320.00)	-100%
Salaries - Director	5,700.00	6,667.00	(967.00)	-17%
Salaries- Senior Counselor	5,200.00	6,083.00	(883.00)	-17%
Salaries - Outreach Coordinator	2,000.00	2,625.00	(625.00)	-31%
Salaries - Support Tech	1,000.00	3,000.00	(2,000.00)	-200%
Subtotal Overages	15,100.00	20,695.00	(5,595.00)	-37%

New Orleans Educational Talent Search Program, Inc.
 Budget vs. Actual
 For the Year Ended June 30, 2001

<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>(Over)</u>	<u>Overage Percentage</u>
<u>Department of Education</u>				
Total Indirect Cost	28,665.00	140,264.00	(111,599.00)	-389%
Telephone	7,185.00	17,219.00	(10,034.00)	-140%
Supplies - Office	3,400.00	3,459.00	(59.00)	-2%
Supplies - Tutorial	1,122.00	3,869.00	(2,747.00)	-245%
Supplies - Other	-	2,479.00	(2,479.00)	-100%
Equipment	8,000.00	4,403.00	3,597.00	45%
Travel - Staff	10,803.00	19,319.00	(8,516.00)	-79%
Life Insurance & Retirement	18,034.00	26,319.00	(8,285.00)	-46%
Salaries - Director	50,000.00	56,667.00	(6,667.00)	-13%
Salaries- Senior Counselor	43,000.00	43,063.00	(63.00)	0%
Subtotal Overages	<u>170,209.00</u>	<u>317,061.00</u>	<u>(146,852.00)</u>	<u>-86%</u>
Total Overages			(167,370.00)	

HUMAN

RESOURCE

DEVELOPMENT



NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

4215 SOUTH CLAIBORNE AVENUE

NEW ORLEANS, LOUISIANA 70125

(504) 821-8844

MANAGEMENT CORRECTIVE ACTION PLAN AND REPSONSE TO AUDIT FINDINGS FOR YEAR ENDED JUNE 30, 2001

Corrective Actions - General Overview

The organization currently uses quickbooks accounting software to maintain its books and records. Each funding source is assigned a company designation with separate general ledger accounts. Combined financial statements are prepared using a spreadsheet software annually or on an as needed basis for banking or other purposes. The organization's policy and procedures provides for maintenance of adequate supporting documentation for a period of not less than five years for transactions dealing with grants or other public funds and 10 years for payroll or related payroll transactions.

The organization has been diligent in maintaining separate bank accounts for each source of funding and during the audit period had one account for the Louisiana Stadium & Exhibition District (LSED) funds and one account for the U.S. Department of Education funds.

In April 2001, prior to beginning this engagement, services of two administrative employees were terminated and effective June 30, 2001, a key management employee resigned. The departure of these personnel one with 11 years of service and other 25 years, resulted in a reevaluation in current policies and procedures, implementation of new policies and reinstitution of some old policies. The departure of these employees contributed in part to our inability to readily locate certain invoices or other documentation. However, we were unable to obtain supporting documentation from the original source because of the time constraints imposed by this engagement.

Effective, July 1, 2001, the organization assigned its assets and related liabilities to another entity to manage and sell the property and pay related mortgages and debts. One of the objectives of this assignment is to separate the assets (primarily the building) and other related debt from program activity.

FINDINGS - FINANCIAL STATEMENTS AUDIT

00-1 Retention of Records

The organization's policy and procedures require all disbursements are properly supported with invoices, purchase orders or other supporting documentation. Copies of the checks are maintained chronologically in one file and a separate copy is attached and filed with the original invoice in the vendor's folder. Currently the Executive Director reviews on a monthly basis to determine compliance with this policy and have requested this review procedure become a part of the service provided by the organization's independent accountant.

00-2 Omitted Transactions

The organization will establish a set of accounting records to include formal general ledger accounts for the bank account referred to in this finding. Management did not include this bank account with other grant transactions because this account was initially set up as a pass through account for short term interim loans and later for wire transfers and pass through account for U.S. Department of Education funds. Management has reevaluated this policy and will establish a chart of account and post these transactions for presentation with other balance sheet accounts.

00-3 Accounting System

The organization will reconcile the differences between the supporting data and general ledger balances monthly. However, much of the differences are a result of interim loans and acquisition of certain long term assets, primarily the building which houses the organization. Management current procedures along with the Board of Director's decision to sell the building and to discontinue short term financing for operation will resolve future accounting problems with notes and mortgages payable. All of the organization's cash and loan accounts will be reconciled monthly until the accounts are closed and the loans fully liquidated.

COMPLIANCE REQUIREMENTS

00-4 Classification of Workers

There are no employees classified as independent contractors. The employees during the audit period consisted of

1. Executive Director
2. Deputy Director/also consider senior counselor
3. Community Outreach Coordinator
4. Counselor I and II
5. Office Manager/Program support technician
6. Receptionist/Program support technician II

Each of the above position/individual received Form W-2 at year end and was classified as an employee. One other person with program function worked as a consultant and coordinated most of its work with the community outreach coordinator. This person is under contract and issued a Form 1099 at year end. Other positions should as the janitor, computer consultant and accountant are also under contract and issued form 1099s annually.

Employees receiving reimbursements for medical , health and fringe benefits are issued Form 1099 for income tax reporting purposes. The reimbursements are reported as other income and medical and health care payments. Additionally, the organization during a previous IRS audit of employment tax issues was not cited for this practice and consider this event would be covered under the "safe harbor" rules of the Internal Revenue Code.

00-6 Exceeded Budgeted Line Items

The Louisiana Stadium Exhibition District grants did not have any material line items accounts in exceed of the budget. Original reports with any material excess actual expenses over budget were revised and accepted by the District's monitoring agency. The U.S. Department of Education allows for a 10% discretionary line item change, to include personnel with non personnel cost, without prior review or approval. The organization also received 8% of the total budget as indirect cost. Additionally, none of the programs overspent the total budget during this audit period.

Management will obtain prior approval for budget revisions when required by contract or regulation.

00-7 Delinquent Payroll Taxes

Management will recommend to Board of Director the use of employment agency with a lease employee arrangement. Prior to the implementation of this change, management will institute new procedures to include payment of taxes with each payroll.

00-8 Lack of Adequate Pension Plan

The organization during its 30 year history has had during certain time period different forms of retirement benefits to included SEP and a 403(b) retirement plan. Due to uncertainty of funding levels the organization discontinue contribution and participation with these retirement plans. The Board of Directors, however, maintained its commitment and desire to reward employees of long standing employment and dedication to the organization. The board budgeted and authorized the Executive Director to seek and develop long term plans to provide benefits for employees. During the period under audit the organization did not have and could not contribute on a consistent basis to a qualify plan, however authorized periodic payments to long standing employees in lieu of contributions to a qualify retirement plan and reported these payments to the IRS as other income. Additionally, the U.S. Department of Education Talent Search program budget provides for employee benefits, life insurance and retirement.

Management will recommend to the Board of Directors to use leased employees in which will shift the responsibility of retirement and other benefits to the new employment agency. The Board will continue to seek a long term consistent resolution for employee benefits. Management has an open policy without any defined benefit or contribution for the retirement plan. The organization will recommend reinstitution the SEP retirement program and make periodic voluntary contributions when funds are available.

00-9 Time Allocation of Payroll Expenses

The organization had low source of funding during this audit period. One from the Louisiana Stadium & Exhibition District Legislative Grant program and the other from the U.S. Department of Education. The U.S. DOE funding was approximately \$386,000 and the LSED was \$113,300. The LSED contract provided services to 300 additional youth during the FY ended 6/2001. Both grants provided for identical services, only the number of participants served increased, and the LSED grant used to supplement the Talent Search DOE grant.

Management was not required to allocate time spent between programs.

CHARMAINE PHILIPS PLATENBURG

Certified Public Accountant

RECEIVED
LEGISLATIVE AUDITOR

01 SEP 24 AM 10:33

To the Board of Directors of
New Orleans Educational Talent Search Program, Inc..

In planning and performing my audits of the financial statements of New Orleans Educational Talent Search Program, Inc. (the Organization) for the years ended June 30, 2000 and 2001, I considered the Organization's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audits, I noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. My comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control structure and/or enhance in other operating efficiencies. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

Current Year Findings

MLC 00-1 Authorization of Checks

During my test of disbursements, I noted that some checks only contained one signature. If dual signatures are required, it would enhance the internal controls regarding the safeguarding of assets. It appears that dual signatures were required in the subsequent period (2001) by the Organization.

MLC 00-2 Bank Reconciliation

It was discovered that during the testing of cash disbursements that unsupported adjustments were posted to cash in the financial statements. Management should review supplementary reports and agree such reports to the financial statements before the financial statements are approved. All large and unusual reconciling items (including adjustments) should be thoroughly explained and accompanied with adequate supporting documentation.

MLC 00-3 Grant Compliance

The Organization did not engage an auditor and complete an audit on the Organization within 6 months of the close its fiscal year. Management should establish and incorporate a solicitation process to assure that such audits are performed in a timely manner. Management should communicate the importance of filing the required reports to its independent accountant and take the necessary actions to eliminate the above stated problems if they continue. Furthermore, management is fully responsible for the fiscal and programmatic operations of the Organization. The Organization did comply with this requirement in the subsequent period (2001).

MLC 00-4 Posting Errors

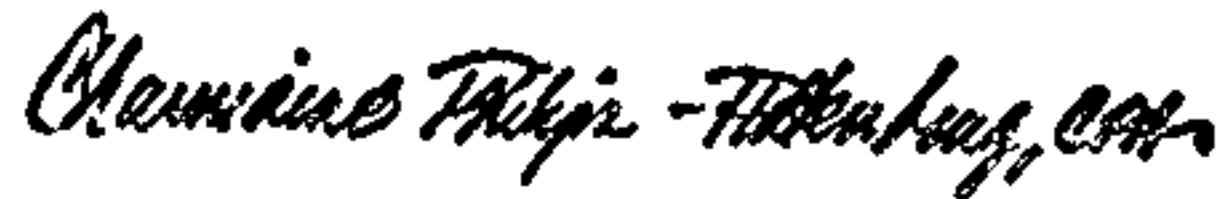
During my testing of expenses, I noted several items that were classified in the wrong account. The posting errors could cause the Organization to exceed budgeted line items. Management should review the financial statements before the financial reports are finalized.

MLC 00-5 Organizational Structure

The size of the organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff was large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the organization to provide oversight and independent review functions.

I would like to thank Mr. Robert McFarland and his staff for their support and assistance during my audit.

This report is intended solely for the information and use of the board of directors, management, and U. S. Department of Education.



Charmaine Philips Platenburg, CPA

New Orleans, LA
September 4, 2001

CHARMAINE PHILIPS-PLATENBURG

Certified Public Accountant

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